

Assessment of payment adequacy: Long-term care hospitals

ISSUE: Are prospective payment system (PPS) payments to long-term care hospitals (LTCHs) adequate?

KEY POINTS: To qualify as long-term care hospitals (LTCHs) for Medicare payment, facilities must meet the Medicare conditions of participation for acute care hospitals. The other condition LTCHs must meet is to have an average length of stay greater than 25 days for Medicare patients.

LTCHs are paid on the basis of a prospective payment system (PPS) implemented in fiscal year 2003. CMS estimates that 98 percent of LTCHs are paid at 100 percent PPS rates as of May 2005.

This analytical cycle will be our first opportunity to examine the LTCH PPS. At this meeting we will describe the PPS and provide Commissioners with preliminary information on four of the six factors we consider in determining whether payments are adequate:

- Changes in supply of providers
- Changes in volume of LTCH discharges
- Beneficiaries' access to LTCH care, and
- LTCHs' access to capital.

In December, we will provide Commissioners with additional information.

ACTION: No decision is needed. We would appreciate comments and suggestions from Commissioners on our findings.

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